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RR RUEHWEB

DE RUEHGB #0620/01 0630801  
ZNY CCCCC ZZH  
R 030801Z MAR 08  
FM AMEMBASSY BAGHDAD  
TO RUEHC/SECSTATE WASHDC 6011  
INFO RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L BAGHDAD 000620

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E.O. 12958: DECL: 03/03/2018  
TAGS: [ECON](#) [EFIN](#) [EAID](#) [PGOV](#) [PREL](#) [IZ](#)  
SUBJECT: PRT NINEWA: PROVINCIAL BUDGET EXECUTION: HARD-WON  
PROGRESS IN 2007, MUCH MORE READY FOR 2008

Classified By: PRT Ninewa Team Leader Jason Hyland for reasons 1.4 (b/d  
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11. This is a Ninewa Provincial Reconstruction Team (PRT)  
message.

#### SUMMARY

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12. (SBU) Despite corruption in provincial budget execution in 2006 and delays in 2007, Ninewa was the first province to submit its 2008 capital budget to the Government of Iraq, for which it received special recognition from the Minister of Finance. Ninewa has also executed by now three-quarters of its 2007 capital budget, and is closing increasingly fast on full execution. With the help of a USAID program and daily PRT contact with provincial stakeholders, the 2008 budget was built in a transparent, inclusive way that brought mayors, provincial officials and directors general together jointly to set priorities. (NOTE: In our travels around the province, we have yet to meet a mayor who did not participate in this open process or know exactly what his budget allocation was. END NOTE.) Ninewa provincial leaders are confident ) perhaps too confident ) that they now have the right process in place and adequate human resources to execute the 2008 budget effectively. With Mosul reconstruction a high-profile issue because of the ongoing military operations in this strategic city, Ninewa can expect even greater scrutiny as it manages the anticipated ID 428 billion budget allocation (approximately USD 354 million, ID 1210 = USD 1) for 2008.

#### A CHECKERED HISTORY

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13. (SBU) Ninewa had to re-execute large portions of its ID 303 billion capital budget (approximately USD 250 million) for 2006 after key provincial officials were arrested for misallocation of funds. As that process dragged into 2007, the province got a late start on execution of its ID 285 billion (approximately USD 236 million) 2007 budget. With less than 40 percent of the 2007 budget executed in October 2007, the assistant governor for technical affairs left his job. As of the end of January, Ninewa's execution rate for the 2007 budget had jumped to 74 percent, though its disbursement rate was still less than 40 percent because of delays in cash deliveries from the Ministry of Finance.

#### HOW THE PRT IS HELPING

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14. (SBU) PRT Ninewa is focusing its efforts on quickly completing execution of the 2007 budget so that the 2008 process can proceed immediately once the national budget is approved by the Presidency Council. The PRT provides procurement assistance to the province and is actively coaching and training senior provincial government officials in the budget execution decision-making process. The PRT has

gained provincial government approval for GOI procurement experts to conduct training in Mosul and hire three additional budget execution staff for the province. In addition, USAID implementing partner RTI will train 100 newly-hired Ninewa Government officials in procurement and budget execution. The PRT, together with USAID/RTI, are collaborating with key Ninewa officials in training for other areas as well: budget administration, data integrity, economic analysis, financial management, program evaluation and reporting.

¶5. (SBU) Since the PRT has taken an aggressive and pro-active approach to capacity development in Ninewa,s budget execution process, we have seen positive, quantifiable advances. The beginning execution rate had been below average when measured against other Iraqi provinces. In the last four reporting months, corresponding with the time since the PRT introduced and implemented advisory and training programs, the province accelerated its budget execution. Since October, the province showed an average monthly execution increase of 8.67 percent, compared to a monthly increase of only 5 percent in previous months.

#### HIGH EXPECTATIONS FOR 2008

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¶6. (SBU) With 2007 budget execution well on its way to successful, though late, completion, Ninewa provincial authorities are well aware of the need to execute this year's budget quickly. Urgent needs for reconstruction and basic operations funds in Mosul City will be best served in the short term by correct and quick execution of the 2008 budget, according to senior provincial officials. The PRT is analyzing the 2008 budget in detail, and dedicating every available resource to assist the execution process.

#### COMMENT

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¶7. (C) Budget execution is the most serious non-security challenge facing the Ninewa Provincial Government. Citizens here desperately need the cash infusion and infrastructure development that these capital budgets bring. A lack of timely support from the Ministry of Finance magnifies lethargic local decision-making and project management processes. Even as the PRT pushes on the local level, national expediency in pushing cash to the province will be key to executing the 2008 budget on time.

¶8. (C) Ninewa's capacity to rebuild its infrastructure and deliver essential services depends on a sufficient budget, including the Provincial Capital Budget, and timely disbursements of funds from the Ministry of Finance. However, the Ninewa Provincial Government also has lacked the proper oversight management structure and master planning procedures to ensure that the budget funds received were executed in a transparent and timely manner. Violence and sectarian strife delay capital budget execution by increasing the time and cost needed to implement contracts. Iraqi weaknesses in procurement, budgeting, and accounting procedures impede completion of capital projects. The Provincial Government is off to a good start with the 2008 Capital Budget; the PRT will continue to track on a daily basis how Ninewa executes its budget this year, and provide all available support to ensure success.

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